



March 27, 2014

VIA ELECTRONIC MAIL: [doug.dillard@psc.alabama.gov](mailto:doug.dillard@psc.alabama.gov)

**Mr. Doug Dillard**  
Utility Services Division  
Alabama Public Service Commission  
RSA Union  
100 North Union St.  
Montgomery, AL 36104

RE: Annual Financial Statements

Dear Mr. Dillard:

Please find enclosed consolidated balance sheets, statements of operations and statements of cash flows for Securus Holdings, Inc., parent company to Securus Technologies, Inc. ("Securus") to comply with the annual reporting requirements in Section 37-1-57 in the Code of Alabama, 1975 and Rule T-22, paragraphs (I) through (K) of the Commission's Telephone Rules. The annual financial statements for Securus for the year ending December 31, 2013 are provided.

Securus sincerely appreciates your attention to this matter. Should you have any questions or concerns regarding the information provided herein, please do not hesitate to contact Debbie Conde, Senior Regulatory Analyst, at (972) 277-0395 or [dconde@securustech.net](mailto:dconde@securustech.net).

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Geoffrey Boyd', with a long horizontal line extending to the left.

Geoffrey Boyd  
Chief Financial Officer

Securus Technologies Holdings, Inc. and Subsidiaries

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**Consolidated Balance Sheets**  
(Dollars in thousands, except per share amounts)

<b>ASSETS</b>	<b>Successor December 31, 2013</b>	<b>Predecessor December 31, 2012</b>
Current assets:		
Cash and cash equivalents	\$ 2,334	\$ 67
Restricted cash	4,153	4,107
Account receivable, net	29,346	25,560
Prepaid expenses	7,172	7,021
Current deferred income taxes	6,830	6,067
<b>Total current assets</b>	<b>49,835</b>	<b>42,822</b>
Property and equipment, net	39,554	30,850
Intangibles and other assets, net	406,833	249,382
Goodwill	409,939	232,600
<b>Total assets</b>	<b>\$ 906,161</b>	<b>\$ 555,654</b>
<b>LIABILITIES AND STOCKHOLDER'S EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 18,020	\$ 14,451
Accrued liabilities	29,054	26,639
Deferred revenue and customer advances	16,315	14,304
Current portion of long-term debt	4,100	2,930
<b>Total current liabilities</b>	<b>67,489</b>	<b>58,324</b>
Deferred income taxes	63,516	30,639
Long-term debt	582,368	403,056
Other long-term liabilities	5,503	3,603
<b>Total liabilities</b>	<b>718,876</b>	<b>495,622</b>
Commitments and contingencies		
Stockholder's equity:		
Common stock, \$0.01 and \$0.001 stated value at December 31, 2013 and 2012, respectively; 1,000 and 159,389 shares authorized, issued, and outstanding at December 31, 2013 and 2012, respectively	-	-
Additional paid-in capital	195,475	64,755
Retained earnings	(8,190)	(4,723)
<b>Total stockholder's equity</b>	<b>187,285</b>	<b>60,032</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 906,161</b>	<b>\$ 555,654</b>

See Notes to Consolidated Financial Statements.

Securus Technologies Holdings, Inc. and Subsidiaries

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Consolidated Statements of Operations  
(Dollars in thousands)

	Successor	Predecessor	
	For the Period from May 1, 2013 to December 31, 2013	For the Period from January 1, 2013 to April 30, 2013	For the Year Ended December 31, 2012
Revenue:			
Direct call provisioning	\$ 220,029	\$ 121,958	\$ 319,330
Wholesale services	15,655	7,472	20,895
Software sales	759	-	-
Offender monitoring systems and services	798	-	-
<b>Total revenue</b>	<b>237,241</b>	<b>129,430</b>	<b>340,225</b>
Operating costs and expenses:			
Cost of service	136,953	70,474	194,783
Selling, general and administrative expenses	50,274	26,247	74,393
Depreciation and amortization	36,365	14,713	39,648
Transaction expenses	680	12,384	323
<b>Total operating costs and expenses</b>	<b>224,272</b>	<b>123,818</b>	<b>309,147</b>
<b>Operating income</b>	<b>12,969</b>	<b>5,612</b>	<b>31,078</b>
Interest and other expenses, net	(25,487)	(11,177)	(29,799)
Loss on extinguishment of debt	-	(21,748)	-
<b>Income (loss) before income taxes</b>	<b>(12,518)</b>	<b>(27,313)</b>	<b>1,279</b>
Income tax expense (benefit)	(4,328)	(7,868)	280
<b>Net income (loss)</b>	<b>\$ (8,190)</b>	<b>\$ (19,445)</b>	<b>\$ 999</b>

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholder's Equity  
(Dollars in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Total Stockholder's Equity
	Shares	Amount			
<b><u>Predecessor</u></b>					
Balance, December 31, 2011	159,389	\$ -	\$ 138,232	\$ 346	\$ 138,578
Dividends paid to parent	-	-	(73,477)	(6,068)	(79,545)
Net Income (loss)	-	-	-	999	999
Balance, December 31, 2012	159,389	-	64,755	(4,723)	60,032
Net Income (loss)	-	-	-	(19,445)	(19,445)
Balance, April 30, 2013	159,389	\$ -	\$ 64,755	\$ (24,168)	\$ 40,587
<b><u>Successor</u></b>					
Balance, May 1, 2013	1,000	\$ -	\$ 168,507	\$ -	\$ 168,507
Contribution from parent	-	-	25,560	-	25,560
Share-based compensation	-	-	1,408	-	1,408
Net Income (loss)	-	-	-	(8,190)	(8,190)
Balance, December 31, 2013	1,000	\$ -	\$ 195,475	\$ (8,190)	\$ 187,285

See Notes to Consolidated Financial Statements.

**Consolidated Statements of Cash Flows**  
(Dollars in thousands)

	<u>Successor</u>	<u>Predecessor</u>	
	For the Period from May 1, 2013 to December 31, 2013	For the Period from January 1, 2013 to April 30, 2013	For the Year Ended December 31, 2012
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (8,190)	\$ (19,445)	\$ 999
Adjustments to reconcile income (loss) to net cash provided by operating activities:			
Depreciation and amortization	36,365	14,713	39,648
Deferred income taxes	(4,426)	(7,984)	(489)
Share-based compensation	1,408	-	-
Loss on extinguishment of debt	-	21,748	-
Amortization of deferred financing costs and discounts	2,433	914	2,108
Change in fair value of derivatives	2,804	7	221
Interest income from amortization of notes receivable	(304)	(155)	(430)
Other operating activities, net			
Changes in operating assets and liabilities:			
Restricted cash	(2)	(1)	(3,006)
Accounts receivable	(176)	1,941	589
Prepaid expenses and other current assets	5,004	(4,637)	1,046
Intangible and other assets	2,207	(250)	(1,404)
Accounts payable	(1,893)	1,013	1,208
Accrued and other liabilities	(1,298)	2,032	3,417
<b>Net cash provided by operating activities</b>	<b>33,932</b>	<b>9,896</b>	<b>43,907</b>
<b>Cash flows from investing activities:</b>			
Purchase of property and equipment	(8,045)	(5,464)	(12,348)
Additions of intangible assets	(19,194)	(3,312)	(22,214)
Business acquisitions, net of cash required	(126,665)	-	(21,379)
<b>Net cash used in investing activities</b>	<b>(153,904)</b>	<b>(8,776)</b>	<b>(55,941)</b>
<b>Cash flows from financing activities:</b>			
Related party activities, net	-	405,103	-
Capital contributions	25,560	-	-
Net activity on revolver, net of issuance costs	18,000	(16,000)	15,326
Long-term debt borrowings, net of issuance costs	81,819	-	64,451
Payments on and repurchases of long-term debt	(1,025)	(394,555)	(2,780)
Cash overdraft	(2,048)	4,265	3,645
Dividends paid to shareholder	-	-	(79,545)
<b>Net cash provided by (used in) financing activities</b>	<b>122,306</b>	<b>(1,187)</b>	<b>1,097</b>
Increase (decrease) in cash and cash equivalents	2,334	(67)	(10,937)
Cash and cash equivalents, beginning of period	-	67	11,004
Cash and cash equivalents, end of period	<b>\$ 2,334</b>	<b>\$ -</b>	<b>\$ 67</b>
<b>Supplemental disclosures:</b>			
Cash paid for the period for:			
Interest	\$ 20,608	\$ 10,232	\$ 27,918
Income taxes, net of refunds	\$ 442	\$ (7)	\$ 1,217

See Notes to Consolidated Financial Statements.